

AMENDED IN SENATE AUGUST 29, 2006

AMENDED IN SENATE AUGUST 28, 2006

AMENDED IN SENATE AUGUST 8, 2006

AMENDED IN SENATE AUGUST 7, 2006

AMENDED IN SENATE JUNE 27, 2006

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

ASSEMBLY BILL

No. 2863

Introduced by Assembly Member Karnette

February 24, 2006

An act to amend Sections 21354.3, 31522.3, and 31672 of, to add Sections 31680.9 and 70046.2 to, and to repeal and add Article 8.6 (commencing with Section 31694) to Chapter 3 of Part 3 of Division 4 of Title 3 of, the Government Code, relating to public employees, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 2863, as amended, Karnette. Public employees: retirement.

(1) The Public Employees' Retirement Law permits a contracting agency of the Public Employees' Retirement System to provide service retirement benefits for local miscellaneous members, as defined, based on a 3% at 60 years of age formula. Under that law, if a contracting agency adopts the 3% at 60 years of age formula, the contribution rate for local miscellaneous members is increased from 7% to 8% of compensation. Member contributions are deposited in the

Public Employees' Retirement Fund, a continuously appropriated fund.

This bill would authorize Riverside County contracting agencies, as defined, to provide retirement benefits to local miscellaneous members based on a 3% at 60 years of age formula. The bill would provide that the 3% at 60 years of age formula shall supersede the previous retirement formula for the current service of existing employees of a contracting agency and the prior service those employees earned with a contracting agency, as specified.

By increasing member contributions to the Public Employees' Retirement Fund, this bill would make an appropriation.

(2) The County Employees Retirement Law permits a retirement board or a board of investments in specified counties to appoint assistant administrators and chief investment officers. Under that law, those assistant administrators and chief investment officers are county employees, are not subject to county charter, civil service, or merit system rules, and serve at the pleasure of, and may be dismissed at the will of, the appointing board or boards.

This bill would additionally permit the retirement board in Marin County to appoint assistant administrators and chief investment officers.

(3) Under the County Employees Retirement Law, a member of a county retirement system may retire after filing a written application with the board of retirement. That law requires the member to select a date that his or her retirement will be effective and this date may not be more than 60 days after the date the application is filed with the board.

This bill would additionally provide that the effective date of a member's retirement may not be earlier than the date the application is filed with the board.

(4) Under the County Employees Retirement Law, if a county board of supervisors adopts a resolution by majority vote, a safety member of a county or district within that county may be required to retire at a specified age. That law permits a retired member to be reemployed by the county or a district and reinstated to active membership in the retirement system. Under that law, operative January 1, 2007, a retired safety member in Los Angeles County who was required to retire because of age may be reemployed by the county and reinstated to active membership, as specified.

This bill would prohibit, under specified conditions, a retired safety member in Los Angeles County from reinstating from retirement to active membership in the retirement system.

(5) The County Employees Retirement Law permits the board of supervisors of a county with a retirement system subject to that law, by resolution, to authorize a county retirement board to provide for payments toward group health insurance for specified members of the retirement system and their beneficiaries.

This bill would revise and recast those provisions to permit a county board of supervisors or the governing body of a district or other public entity that participates in a county retirement system subject to the County Employees Retirement Law to contribute to a Post-Employment Benefits Trust Account as part of the retirement fund to provide for payments towards group health, life, or other welfare benefits for specified members and their beneficiaries. The bill would also permit a board of supervisors of a county, or the governing body of a district, to establish its own trust for the purpose of funding group health, life, or other welfare benefits, and to enter an agreement with a board of retirement and board of investments for those boards to act as trustee, third-party administrator, or investment manager of that county or district trust. The bill would also require a county, governing body, or district on Los Angeles County to fund the provisions of the Post-Employment Benefits Trust Account under the provisions of a ratified collective bargaining agreement. *The bill would further provide that a contract between a participating public employer and a board of retirement or board of investments shall not change the obligations of that public employer, board of retirement, or board of investments created under other contracts, law, ordinances, regulations, or similar actions, as specified.*

(6) Existing law provides for the compensation and benefits of court reporters in specified counties.

This bill would provide that the compensation of regular official court reporters in Fresno County shall be determined by collective bargaining between the court reporters and the superior court. The bill would also define, for purposes of retirement, the compensation of a regular official court reporter in Fresno County, as specified.

(7) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 21354.3 of the Government Code is amended to read:

21354.3. (a) The combined current and prior service pensions for a local miscellaneous member is a pension derived from the contributions of the employer sufficient, when added to the service retirement annuity that is derived from the accumulated normal contributions of the member at the date of retirement, to equal the fraction of one-fiftieth of the member's final compensation set forth opposite the member's age at retirement, taken to the preceding completed quarter year, in the following table, multiplied by the number of years of current and prior service except service in a category of membership other than that of local miscellaneous member with which the member is entitled to be credited at retirement:

Age at Retirement	Fraction
50	1.0000
50 $\frac{1}{4}$	1.0125
50 $\frac{1}{2}$	1.0250
50 $\frac{3}{4}$	1.0375
51	1.0500
51 $\frac{1}{4}$	1.0625
51 $\frac{1}{2}$	1.0750
51 $\frac{3}{4}$	1.0875
52	1.1000
52 $\frac{1}{4}$	1.1125
52 $\frac{1}{2}$	1.1250
52 $\frac{3}{4}$	1.1375
53	1.1500
53 $\frac{1}{4}$	1.1625
53 $\frac{1}{2}$	1.1750
53 $\frac{3}{4}$	1.1875
54	1.2000
54 $\frac{1}{4}$	1.2125
54 $\frac{1}{2}$	1.2250
54 $\frac{3}{4}$	1.2375
55	1.2500

Age at Retirement	Fraction
55 $\frac{1}{4}$	1.2625
55 $\frac{1}{2}$	1.2750
55 $\frac{3}{4}$	1.2875
56	1.3000
56 $\frac{1}{4}$	1.3125
56 $\frac{1}{2}$	1.3250
56 $\frac{3}{4}$	1.3375
57	1.3500
57 $\frac{1}{4}$	1.3625
57 $\frac{1}{2}$	1.3750
57 $\frac{3}{4}$	1.3875
58	1.4000
58 $\frac{1}{4}$	1.4125
58 $\frac{1}{2}$	1.4250
58 $\frac{3}{4}$	1.4375
59	1.4500
59 $\frac{1}{4}$	1.4625
59 $\frac{1}{2}$	1.4750
59 $\frac{3}{4}$	1.4875
60 and over	1.5000

(b) The fraction specified in the above table shall be reduced by one-third as applied to that part of final compensation that does not exceed four hundred dollars (\$400) per month for all services of a member any of whose service has been included in the federal system. This reduction shall not apply to a member employed by a contracting agency that enters into a contract after July 1, 1971, and who elects not to be subject to this subdivision or with respect to service rendered after the termination of coverage under the federal system with respect to the coverage group to which the member belongs.

(c) This section shall supersede Sections 21353, 21354, 21354.1, 21354.4, and 21354.5 with respect to a local miscellaneous member who is employed by a contracting agency on or after the date this section becomes applicable to the contracting agency.

(d) This section shall not apply to a contracting agency nor its employees until the contracting agency elects to make all local

1 miscellaneous members subject to it by amendment to its
2 contract made in the manner prescribed for approval of contracts
3 or in the case of a new contract, by express provision of the
4 contract. The operative date of this section with respect to a local
5 miscellaneous member shall be the effective date of the
6 amendment to his or her employer's contract electing to be
7 subject to this section.

8 (e) (1) Notwithstanding subdivision (d) and for purposes of
9 this subdivision, "Riverside County contracting agency" means
10 any of the following:

11 (A) County of Riverside.

12 (B) County of Riverside Regional Park and Open-Space
13 District.

14 (C) County of Riverside Waste Resources Management
15 District.

16 (D) County of Riverside Flood Control and Water
17 Conservation District.

18 (2) This section shall apply to a former employee of a
19 Riverside County contracting agency if that former employee is
20 currently employed by another Riverside County contracting
21 agency. This section shall not apply to a Riverside County
22 contracting agency nor the current or former employees of that
23 Riverside County contracting agency until the Riverside County
24 contracting agency elects to make all local miscellaneous
25 members subject to this section by amendment to the contract of
26 that Riverside County contracting agency, made in the manner
27 prescribed for approval of contracts, or in the case of a new
28 contract, by express provision of the contract. The provisions of
29 this section shall apply with respect to a local miscellaneous
30 member on the effective date of the amendment to the Riverside
31 County contracting agency's contract electing to be subject to
32 this section.

33 SEC. 2. Section 31522.3 of the Government Code is amended
34 to read:

35 31522.3. (a) In a county in which the board of retirement or
36 both the board of retirement and the board of investment have
37 appointed personnel pursuant to Section 31522.1, the respective
38 board or boards may elect to appoint assistant administrators and
39 chief investment officers as provided for in this section. The
40 positions of the assistant administrators and chief investment

1 officers designated by the retirement board shall not be subject to
2 county charter, civil service, or merit system rules. The persons
3 so appointed shall be county employees and shall be included in
4 the salary ordinance or salary resolution adopted by the board of
5 supervisors for the compensation of county officers and
6 employees. The assistant administrators and chief investment
7 officers so appointed shall be directed by, shall serve at the
8 pleasure of, and may be dismissed at the will of, the appointing
9 board or boards. Specific charges, a statement of reasons, or good
10 cause shall not be required as a basis for dismissal of the assistant
11 administrators and chief investment officers by the appointing
12 board or boards.

13 (b) This section shall not apply to any person who was an
14 assistant administrator or a chief investment officer and was
15 included in the county civil service or was subject to merit
16 system rules on December 31, 1996.

17 (c) This section shall only apply to a county of the third class,
18 a county of the eighth class, a county of the 14th class, a county
19 of the 15th class, or a county of the 18th class, as provided by
20 Sections 28020, 28024, 28029, 28035, 28036, and 28039.

21 SEC. 3. Section 31672 of the Government Code is amended
22 to read:

23 31672. A member who has reached 70 years of age or a
24 member who has completed 10 years of service and who has
25 reached 55 years of age, or a member who has completed 30
26 years of service regardless of age, may be retired upon filing with
27 the board a written application, setting forth the date upon which
28 he or she desires his or her retirement to become effective not
29 earlier than the date the application is filed with the board and
30 not more than 60 days after the date of filing the application.
31 Fifty-five years of age in the preceding sentence may be reduced
32 to 50 years of age in a county by resolution of the board of
33 supervisors.

34 SEC. 4. Section 31680.9 is added to the Government Code, to
35 read:

36 31680.9. (a) The application of Section 31680.8 shall be
37 limited by this section. Section 31680.8 shall not apply to either
38 of the following:

39 (1) A safety member who was required to retire as described
40 in Section 31663.2.

(2) A member who retired as a safety member described in Section 31470.4 or 31470.6.

(b) This section shall apply only to a county of the first class as described in Section 28020.

SEC. 5. Article 8.6 (commencing with Section 31694) of Chapter 3 of Part 3 of Division 4 of Title 3 of the Government Code is repealed.

SEC. 6. Article 8.6 (commencing with Section 31694) is added to Chapter 3 of Part 3 of Division 4 of Title 3 of the Government Code, to read:

Article 8.6. Post-Employment Benefits

31694. (a) The board of supervisors of a county or the governing body of a district or other public entity may, by ordinance or resolution and with the agreement of the board of retirement, provide for the contribution of funds by the county, a district, or other public entity into a Post-Employment Benefits Trust Account. The retirement system shall establish the Post-Employment Benefits Trust Account as a part of the retirement fund. The Post-Employment Benefits Trust Account shall be established for the sole purpose of funding the benefits provided under a post-employment group health, life, or other welfare benefits plan or plans established and maintained by the county or district, which plan or plans may provide for self-insured coverage or the payment of all or a portion of the premiums on one or more insurance contracts or health care service plan contracts for retired employees of the participating county, district, or other public entity, and their qualified spouses, dependents and beneficiaries.

(b) Contributions to the Post-Employment Benefits Trust Account may include the proceeds of debt issued by the county, a district, or other public entity solely for the purpose of funding post-employment health, life, or other welfare benefits.

(c) The post-employment benefits provided with the funds contributed to the Post-Employment Benefits Trust Account are in addition to any other benefits provided under this chapter.

(d) (1) Except as described in subdivision (b) of Section 31694.1, the assets of the retirement fund may not be used,

1 directly or indirectly, to pay the cost of any benefits provided
2 through the Post-Employment Benefits Trust Account.

3 (2) Except as described in subdivision (c) of Section 31694.1,
4 funds in the Post-Employment Benefits Trust Account may not
5 be used, directly or indirectly, to pay the cost of any other
6 benefits provided under this chapter.

7 31694.1. (a) The retirement system shall separately account
8 for, on the books of the retirement system, the funds contributed
9 to the Post-Employment Benefits Trust Account by each
10 participating employer and the earnings and expenses related to
11 the investment and administration of those funds.

12 (b) The board of retirement, or a board of investments in a
13 county in which a board of investments has been established
14 pursuant to Section 31520.2, shall have sole, exclusive, and
15 plenary authority and fiduciary responsibility over the investment
16 of the Post-Employment Benefits Trust Account, consistent with
17 Sections 31594 and 31595, and as provided for in Section 17 of
18 Article XVI of the California Constitution. The board of
19 retirement or board of investments may invest funds in the
20 Post-Employment Benefits Trust Account with those of the
21 retirement system. The investment earnings and investment
22 expenses attributable to the investment activity of the
23 Post-Employment Benefits Trust Account shall be accounted for
24 separately from the investment earnings and expenses of the
25 retirement fund.

26 (c) The funds in and investment earnings of the
27 Post-Employment Benefits Trust Account shall be used to pay
28 the reasonable costs related to investment expenses and
29 administration of the Post-Employment Benefits Trust Account.
30 Those expenses shall not be deemed to be an investment or
31 administrative expense of a retirement system under this chapter.

32 (d) The board of retirement, or a board of investments in a
33 county in which a board of investments has been established
34 pursuant to Section 31520.2, may establish rules and procedures
35 governing the investments and administration of the
36 Post-Employment Benefits Trust Account. The board of
37 retirement or the board of investments shall determine the rate of
38 interest to credit the funds in the Post-Employment Benefits
39 Trust Account.

1 (e) The board of retirement, or a board of investments in a
2 county in which a board of investments has been established
3 pursuant to Section 31520.2, is authorized to take any and all
4 actions necessary to establish and administer the
5 Post-Employment Benefits Trust Account in compliance with
6 applicable federal tax laws or other legal requirements.

7 (f) The board of retirement, or the board of retirement acting
8 jointly with a board of investments in a county in which a board
9 of investments has been established pursuant to Section 31520.2,
10 and a participating employer in the Post-Employment Benefits
11 Trust Account shall establish, by written agreement, the
12 respective roles and responsibilities of the retirement system and
13 the participating employer with respect to the administration and
14 investment of the Post-Employment Benefits Trust Account.
15 That agreement shall include, but is not limited to, funding,
16 distribution, expenditure, actuarial, accounting, and reporting
17 considerations, and any applicable investment parameters. The
18 board may, in its discretion, authorize an employer to transfer
19 assets into or out of the prefunding plan, however any transfer of
20 assets shall comply with the terms of the contract between the
21 employer and the board, satisfy requirements under applicable
22 rules of the Governmental Accounting Standards Board, and
23 satisfy the requirements of Section 115 of the Internal Revenue
24 Code. Once the investment parameters are established, the board
25 of retirement, or a board of investments in a county in which a
26 board of investments has been established pursuant to Section
27 31520.2, shall have sole control over the investment activity of
28 the Post-Employment Benefits Trust Account as described in
29 subdivision (b). Upon agreement and authorization of the board
30 of retirement and the governing body of a participating employer,
31 the retirement system may administer a post-employment health,
32 life, or other welfare benefit plan sponsored by the participating
33 employer and funded through the Post-Employment Benefits
34 Trust Account.

35 (g) In accordance with procedures established in the written
36 agreement described in subdivision (f), the participating
37 employer may elect to terminate participation in the
38 Post-Employment Benefits Trust and instruct the retirement
39 system to either (1) transfer the funds held in the
40 Post-Employment Benefits Trust Account to a successor trustee

1 named by the employer, or (2) disburse the trust assets in
2 accordance with subdivision (h). In addition, the board of
3 retirement may terminate the participation of a participating
4 employer in the Post-Employment Benefits Trust Account if
5 either:

6 (1) The board of retirement finds that the participating
7 employer is unable to satisfy the terms and conditions required
8 by this article, the rules and procedures established by the board,
9 or the participation agreement between the participating
10 employer and the board of retirement.

11 (2) The board of retirement elects to terminate the
12 Post-Employment Benefits Trust Account.

13 (h) If the board of retirement terminates the participation of an
14 employer in the Post-Employment Benefits Trust Account, as
15 described in paragraph (1) or (2) of subdivision (g), the funds
16 attributable to that employer shall remain in the
17 Post-Employment Benefits Trust Account, for the continued
18 payment of post-employment benefits for current and future
19 participants and the costs of administration and investment.

20 (i) If the board of retirement elects to terminate the
21 Post-Employment Benefits Trust Account, the retirement system
22 shall disburse the funds in Post-Employment Benefits Trust
23 Account in the following order and manner:

24 (1) The retirement system shall retain an amount sufficient to
25 pay for the post-employment insurance benefits for participants
26 in the post-employment insurance plan or plans provided by the
27 former participating employer.

28 (2) The retirement system shall retain an amount sufficient to
29 pay reasonable administrative and investment costs described in
30 this section.

31 (3) After the amounts in paragraphs (1) and (2) have been
32 retained or disbursed, the retirement system shall pay any
33 remaining funds to the former participating employer or
34 employers.

35 31694.2. An employer who elects to participate in the
36 Post-Employment Benefits Trust Account shall be required to
37 establish, fund, and apply distributions from the
38 Post-Employment Benefits Trust Account, and administer a
39 post-employment health, life, or other welfare benefit plan or
40 plans funded through the Post-Employment Benefits Trust

1 Account, pursuant to applicable federal tax requirements or other
2 legal provisions. An employer may expressly delegate its
3 responsibilities under this section to the retirement system as
4 described in subdivision (f) of Section 31694.1.

5 31694.3. (a) The board of supervisors of a county, or the
6 governing body of a district, may establish, by resolution or
7 ordinance, its own trust for the sole purpose of funding any
8 post-employment benefits provided under a group health, life, or
9 other welfare benefits plan or plans established and maintained
10 by that county or district.

11 (b) The board of retirement and, if applicable, the board of
12 investments, may, with the agreement of the county or district,
13 act as one or more of the following for that employer-established
14 trust: trustee, third-party administrator, or investment manager.
15 The board of retirement and, if applicable, the board of
16 investments, may enter a trust agreement, third-party
17 administrative services agreement, investment manager
18 agreement, or other appropriate agreement with the county or
19 district, which shall establish the respective roles and
20 responsibilities of the parties with respect to the administration
21 and investment of the employer-established trust. That agreement
22 shall provide for the manner and method of payment for the
23 reasonable costs related to investment expenses for, and
24 administration of, the employer-established trust. Those expenses
25 shall not be deemed to be an investment or administrative
26 expense of a retirement system under this chapter.

27 (c) The county or district may contract with an entity other
28 than the board of retirement or board of investments to act as
29 trustee, third-party administrator, or investment manager for the
30 trust.

31 (d) Contributions to the employer-established trust may
32 include the proceeds of debt issued by the county or district
33 solely for the purpose of funding post-employment health, life, or
34 other welfare benefits.

35 ~~31694.4~~

36 31694.4. This article shall not apply to a county, district, or
37 other public entity in a county of the first class as defined by
38 Section 28020 until the provisions of this article are funded
39 pursuant to the provisions of a ratified collective bargaining
40 agreement by that county, district, or other public entity.

1 31694.5. *A contract entered into between a public employer*
2 *and a board of retirement or board of investments as described*
3 *in Section 31694.1 shall not change the obligations of a public*
4 *employer, board of retirement, or board of investments that are*
5 *created under other contracts, laws, ordinances, regulations, or*
6 *similar actions to provide benefits for employees or retired*
7 *employees of a participating county, district, or other public*
8 *entity, or their qualified spouses, dependents, and beneficiaries.*

9 SEC. 7. Section 70046.2 is added to the Government Code, to
10 read:

11 70046.2. (a) In Fresno County, the compensation of each
12 regular official court reporter shall be determined through the
13 collective bargaining process.

14 (b) For the purposes of retirement, the compensation of each
15 regular official court reporter shall be deemed to be the total of
16 all per diem and transcription fees paid by the county or court to
17 that regular official court reporter for all reporting services, plus
18 his or her salary.

19 SEC. 8. This act is an urgency statute necessary for the
20 immediate preservation of the public peace, health, or safety
21 within the meaning of Article IV of the Constitution and shall go
22 into immediate effect. The facts constituting the necessity are:

23 In order for the provisions of this act to be applicable as soon
24 as possible for the 2006–07 fiscal year, and thereby facilitate the
25 orderly administration of local government at the earliest
26 possible time, it is necessary that this act take effect immediately.